



FINANCIAL REVIEW

Group Liquidity and Financial Resources

The financial position of the Group remains healthy. As at the close of business on 30 September 2003, the total cash and bank balances had decreased by HK\$1.6 million or 1.3%, compared with those as at 31 March 2003, and accounted for 31.2% of the current assets. As at the period end date, current assets had been maintained at 1.2 times the current liabilities.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group has also obtained banking facilities with aggregate amount of HK\$183.3 million (HK\$17.5 million was secured by first charges over certain land and buildings and investment properties of the Group), of which approximately HK\$88.2 million has been utilized mainly for the issuance of letters of credit and performance bonds. The Group's funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations and the available banking facilities.

Treasury Policies

In order to achieve better risk control and to minimize the cost of funds, the Group's treasury activities are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2002-2003.

Capital Structure

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has taken out a Hong Kong dollars loan amounting to HK\$17.5 million from a bank (at 31 March 2003 : HK\$ Nil). The borrowing has been used as general working capital and is long term in nature. Interest is based on HIBOR with a competitive margin.

As at 30 September 2003, the gearing ratio of the Group, calculated on the basis of the total bank borrowings over shareholders' funds, was 4.6% (at 31 March 2003: Nil).



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Major Acquisition

During the period, the Group purchased, from internally generated funds, the whole 5th floor and part of the 6th floor of Shatin Industrial Centre, and a piece of land at Ping Che, from independent third parties, at a total consideration of approximately HK\$38.0 million. These properties are located in Hong Kong, and are held for investment purposes.

In June 2003, the Group also acquired from an independent third party the entire issued share capital of Retailcorp Limited which carries on a health products wholesale business and operates a health products retailing chain store business under the trade name of "Health Plus", at a consideration of approximately HK\$3.1 million.

Collateral

As at 30 September 2003, the Group's Hong Kong dollars loan of HK\$17.5 million was secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$27.8 million (at 31 March 2003: HK\$ Nil).

Contingent Liabilities

Details of the contingent liabilities are set out in note 17 of the condensed financial statements.

Capital Commitments

Details of the capital commitments are set out in note 18 of the condensed financial statements.